

2007-433

River Bluffs, Inc

11902 READING ROOM ROAD, PROSPECT KENTUCKY 40059

502-228-3915

October 1, 2007

RECEIVED

OCT 3 2007

PUBLIC SERVICE
COMMISSION

Beth O'Donnell
Executive Director
KY Public Service Commission
PO Box 615
Frankfort, KY 40602

RE: Application for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities

This is an application to request Commission approval for an increase in River Bluffs, Inc.'s rate pursuant to the Alternative Rate Filing Procedure for Small Utilities. Attached is the completed "ARF Application."

The Company has mailed written notice of the proposed rate change and the estimated amount of increase per customer class to each customer. A copy of the customer notification letter and affidavit from the Company's Owner verifying that the notice has been mailed to each customer is enclosed. *ARTICLES OF INCORPORATION PREVIOUSLY FILED IN CASE # 2001-252.*

A copy of this application and related filings has been sent to the Office of the Attorney General, State Capitol Building, Suite 118, Frankfort, KY 40601.

Sincerely,



Harold Helm, II, President
River Bluffs, Inc.

Enclosure

River Bluffs, Inc

11902 READING ROOM ROAD, PROSPECT KENTUCKY 40059

502-228-3915

October 1, 2007

Hon. Greg Stumbo
Office of Attorney General
The Capitol, Suite 118
Frankfort, KY 40601

RE: Application for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities

This filing shall serve notice that River Bluff, Inc. has filed an application with the Public Service Commission to increase its rate pursuant to the Alternative Rate Filing Procedure for Small Utilities. Copies of the Annual Report for the past year and the previous two years are attached to the "ARF Application."

The Company has mailed written notice of the proposed rate changes and the estimated amount of increase per customer class to each customer. You will find a copy of this written notice enclosed.

Sincerely,



Harold Helm, II, President
River Bluffs, Inc.

Enclosure

Notice

This is to inform you that the River Bluffs, Inc. is requesting an increase in the sewer rates as follows:

	<u>Existing</u>	<u>Proposed</u>	<u>Percentage Increase</u>
Flat Monthly Residential	\$41.25	\$58.16	40.994%

The rates contained in this notice are the rates proposed by River Bluffs. However, the Public Sewer Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Sewer Commission, 211 Sower Blvd, P.O. Box 615, Frankfort, Kentucky, 40602 and shall set forth the grounds for the motion, including the status and interest of the party movant.

Copies of the application may be obtained at no charge from River Bluffs at 11902 Reading Room Rd, Prospect, Kentucky, 40059. Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

River Bluffs, Inc., (502) 228-3915

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

River Bluffs, Inc.

Name of Utility

11902 Reading Room Road

Prospect, KY 40059

Business Mailing Address

Telephone Number 502 / 228-3915
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Harold Helm II, President

Address: 11902 Reading Room Road
Prospect, KY 40059

Telephone Number: 502 – 228-3915

- | | | | |
|----|---|---|----|
| 1) | Do you have 500 customers or fewer? | <input checked="" type="checkbox"/> Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | <input checked="" type="checkbox"/> Yes | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | <input checked="" type="checkbox"/> Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | <input checked="" type="checkbox"/> Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, **2006**.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

Account Titles	Test-Period Operations	Pro Forma Adjustments	Adj Ref	Pro Forma Operations
Operating Revenues:				
Residential - Flat Rate	\$ 87,913	\$ 1,187	(a)	\$ 89,100
Operating Expenses:				
Operation & Maint. Exp:				
Owner/Manager Fee	\$ 3,600	\$ 0		\$ 3,600
Treatment Sys. - Sludge Hauling	13,048	1,650	(b)	14,698
Treatment Sys. - Water	563	0		563
Treatment Sys. - Routine Maint	9,600	1,200	(c)	10,800
Rents	4,800	1,200	(d)	6,000
Fuel & Power	5,233	0		5,233
Chemicals	2,926	0		2,926
Misc Sup & Exp - Treatment & Disp.	423	0		423
Maint. - Pumping	637	0		637
Maint. - Treatment & Disp.	7,193	(2,193)	(e)	5,000
Maint - Other Plant:	3,352	0		3,352
Agency Collection Fee	2,346	2,346	(f)	4,692
Administrative & General	2,100	0		2,100
Office Supplies	1,987	0		1,987
Outside Services Employed	2,378	0		2,378
Insurance - Casualty	874	0		874
Insurance - Emp. Health	16,424	(11,460)	(g)	4,964
Misc. - Telephone	2,213	(811)	(h)	1,402
Misc. - Charitable Contrib.	785	(785)	(i)	0
Testing/Analysis	9,840	1,600	(j)	11,440
Total Operation & Maint. Exp.	\$ 90,322	\$ (7,253)		\$ 83,069
Depreciation	1,056	17,344	(k)	18,400
Amortization	673	0		673
Taxes Other than Income Tax	1,228	(175)	(l)	1,053
Total Operating Expenses	\$ 93,279	\$ 9,916		\$ 103,195
Net Operating Income	\$ (5,366)	\$ (8,729)		\$ (14,095)
Other Deductions:				
Interest Expense	0	5,156	(m)	5,156
Seminars; Memberships; & Subscriptions	1,222	(1,222)	(n)	0
Net Income	\$ (6,588)	\$ (12,663)		\$ (19,251)

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).
- a. **Normalized Operating Revenue:**
Revenue normalization using end-of-period customer level and the current tariffed rate.
- b. **Sludge Hauling:**
Current sludge hauling fees and charges have been applied to the amount of sludge removed from the treatment facilities during the test-period.
- c. **Routine Maintenance:**
To reflect the increased plant visits required by the Division of Water, this fee has been increased from \$800 to \$900 per month.
- d. **Rent:**
Office rent has been increased to reflect the current charged in the general area.
- e. **Main Plant Repairs:**
Items viewed as capital expenditures have been removed from test-period operating expenses. The collection line repairs will decrease the I/I problem, and therefore the cost of extra plant visits for storms has been removed. Depreciation of the capital expenditures is included in a separate adjustment.
- f. **Collection Fee:**
The fee has been increased to reflect monthly billing by the Louisville Water Company.
- g. **Insurance - Health:**
The current cost of health insurance coverage is being reduced by 50 percent to reflect the allocation of these costs to Mr. Helm other business interests. Because the deductibles/co-payments, are the personal responsibility of Mr. Helm, they are not included in the allocation.
- h. **Telephone:**
In Case No. 2001-00252, the Commission determined that 50 percent of the cellular telephone expense should be allocated to Mr. Helm's other business interests. To coincide with this prior determination, Cellular telephone expense has been decreased by 50 percent.
- i. **Charitable Contributions:**
The Commission previously found that charitable contributions are not a cost incurred in providing utility service and should be borne by the stockholder. Accordingly, these contributions have been removed from operating expenses.
- j. **Testing:**
Testing expense has been increased to reflect the current fees.
- k. **Depreciation:**
Depreciation increase has been adjusted to reflect: (1) removal of depreciation for plant that will be fully depreciated in 2007; (2) the capital items removed from test-period expenses; (3) a pump replaced post-test period; and (4) the renovations necessary to correct the I/I problems.
- l. **Corporate income Taxes:**
Income tax expense is removed because the allowance for this cost is included in the revenue gross-up calculation.
- m. **Interest:**
Interest for the proposed 2 year term loan is included in test-period operations.
- n. **Seminars; Memberships; & Subscriptions:**
To reflect the Commission's decision in Case No. 2001-00252 that costs of subscriptions is not warranted, they have been removed.
- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Existing Monthly Rate</u>	<u>Proposed Monthly Rate</u>	<u>Proposed Increase</u>	
			<u>Amount</u>	<u>%</u>
Residential	\$ 41.25	\$ 58.16	\$ 16.91	<u>40.994%</u>

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

During the calendar year 2007, River Bluffs conducted an I&I analysis of its system. The analysis revealed that River Bluffs' collection system requires extensive repairs. To fund these repairs, River Bluffs is obtaining a 2 year term loan. River Bluffs has included the associated interest expense and depreciation of the capital expenditures in its requested increase to the base rate.

- 2) Total number of Customers as of the date of filing: Residential 180
- 3) Total amount of increased revenue requested: \$ 36,497 Exhibit B

4) Please circle Yes or No:

- a) Does the utility have any outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

- b) Were all revenues and expenses listed in the Annual Report for 2006 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for **2006** and the amount shown on this schedule.

A copy of the 2006 depreciation schedule is attached to the Application as Exhibit C.

- 6) If utility is a sewer utility:
- a) Attach a copy of the latest State and Federal Income Tax Returns. **Copies of the Income Tax Returns are attached.**
 - b) How much of the utility plant was recovered through the sale of lots or other contributions App. 89 % \$ or %? (If unknown, state the reason).

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

The operating expenses have increased since the last rate case. For River Bluffs to be able to provide adequate service to its ratepayers and to fund the capital expenditures, the requested increase in rates is required.

Step3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
 1^{st} 2,000 minimum x 1,830 bills = 3,660,000 gallons – record
in Column 4.
Next 3,000 gallons x 1,830 bills = 5,490,000 gallons – record
in Column 5.
Next 10,000 gallons – remainder of water over 3,000 =
7,118,700 gallons – record in Column 6.

Step4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
 1^{st} 2,000 minimum x 650 bills = 1,300,000 gallons – record in
Column 4.
Next 3,000 gallons x 650 bills = 1,950,000 gallons – record in
Column 5.
Next 10,000 gallons x 650 bills = 6,500,000 gallons – record
in Column 6.
Next 25,000 gallons – remainder of water over 10,000 =
5,525,000 gallons – record in Column 7.

Step5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
 1^{st} 2,000 minimum x 153 bills = 306,000 gallons – record in
Column 4.
Next 3,000 gallons x 153 bills = 459,000 gallons – record in
Column 5.
Next 10,000 gallons x 153 bills = 1,530,000 gallons – record
in Column 6.
Next 25,000 gallons x 153 bills = 3,825,000 gallons – record
in Column 7.
Over 40,000 gallons – remainder of water over 25,000 =
3,855,600 gallons – record in Column 8.

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue

SAMPLE

Revenue from Present/Proposed Rates
 Test Period from 01-01-XX to 12-31-XX

USAGE TABLE

Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding. A certified copy of the articles were previously filed In the Matter of: The Application of River Bluffs, Inc Case NO. 2001-252.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed 
Officer of the Company

Title President

Date 10-1-07

EXHIBIT A
Pro Forma Adjustments

a.	<u>Normalized Operating Revenue:</u>	
	Tariffed Monthly Rate	\$ 41.25
	Multiplied by: Rate Payers - Application Date	180
	Monthly Normalized Operating Revenue	\$ 7,425
	Multiplied by: 12-Months	12
	Normalized Operating Revenue	\$ 89,100
	Less: Reported Operating Revenue	87,913
	Pro Forma Adjustment	<u>\$ 1,187</u>
b.	<u>Sludge Hauling:</u>	
	Test-Period Gallons	134,400
	Multiplied by: Rate per 1,000 Gallons	\$ 98
	Subtotal	\$ 13,171
	Add: Fuel Surcharge (13 Loads x \$14.7 Surcharge per Load) =	191
	Add: Vac Truck & 3,000 Gal Dump Fee	1,336
	Pro Forma Sludge Hauling	\$ 14,698
	Less: Test-Period Sludge Hauling	13,048
	Pro Forma Adjustment	<u>\$ 1,650</u>
c.	<u>Treatment System - Other (Routine Maint):</u>	
	Pro Forma Monthly Routine Maint. Fee	\$ 900
	Multiplied by: 12-Months	12
	Pro Forma Routine Maint. Expense	\$ 10,800
	Less: Test-Period Routine Maint. Expense	9,600
	Pro Forma Adjustment	<u>\$ 1,200</u>
d.	<u>Rent:</u>	
	Pro Forma Monthly Office Rent	\$ 500
	Multiplied by: 12-Months	12
	Pro Forma Annual Rent Expense	\$ 6,000
	Less: Test-Period Rent Expense	4,800
	Pro Forma Adjustment	<u>\$ 1,200</u>
e.	<u>Main Plant Repairs:</u>	
	<u>Capital Items:</u>	
	Grating Support System	\$ (243)
	New Grating at Treatment plant	(525)
	New Chlorine Fed Pump	(380)
	<u>Non-recurring:</u>	
	Remove Extra Trips to Plant for Excessive Storm Water	(1,045)
	Remove Extra Trips to Plant for Excessive Storm Water	<u>\$ (2,193)</u>

f.	<u>Collection Fee:</u>				
	Switch from Bi-monthly to Monthly Billing				\$ 2,346
g.	<u>Insurance - Health:</u>				
	Single Quarterly Premiums - Inv Dated 6/30/07				\$ 1,481
	Medical Spending Account (\$500 Each per Quarter)				1,000
	Total Quarterly Health Insurance				\$ 2,481
	Multiplied by: Allocation Rate				50%
	Allocated Monthly Premium				\$ 1,241
	Multiplied by: 4-Quarters				4
	Allocated Annual Premium				\$ 4,964
	Less: Test-Period Health - Insurance				16,424
	Pro Forma Adjustment				\$ (11,460)
h.	<u>Telephone:</u>				
	Test-Period Cellular Telephone Expense				\$ 1,621
	Multiplied by: 50% Allocation				50%
	Pro Forma Adjustment				\$ (811)
i.	<u>Charitable Contributions:</u>				
	Remove Contributions to Charities				\$ (785)
j.	<u>Testing:</u>				
	Beckmar's KPDES Analysis Fee				\$ 220
	Multiplied by: 52-Weeks				52
	Pro Forma Testing				\$ 11,440
	Less: Test-Period Testing				9,840
	Pro Forma Adjustment				\$ 1,600
k.	<u>Depreciation:</u>				
		Year	Capital Cost	Depreciation Lives	Depreciation Expense
	<u>Current Plant:</u>				
	DSL Equipment	2005	\$ 335	5	\$ 67
	Computer	2006	\$ 249	5	50
	Copier	2006	\$ 329	5	66
	Software	2006	\$ 200	3	67
	Maintenance Equipment	2005	\$ 411	7	59
	Submersible Pump	2006	\$ 428	7	61
	Submersible Pump	2006	\$ 303	7	43
	Pump	2006	\$ 1,980	7	283
	Software	2006	\$ 1,968	3	656
	<u>Test-Period:</u>				
	Grating Support System	2006	\$ 243	5	49
	New Grating at Treatment plant	2006	\$ 525	5	105
	New Chlorine Fed Pump	2006	\$ 380	5	76
	<u>Post Test-Period:</u>				
	Hydromatic Grinder Pump (Inv. 2548)		\$ 5,092	5	1,018
	System Rehab & Smoke Test		\$ 79,000	5	15,800
	Pro Forma Depreciation Expense				\$ 18,400
	Less: Test-Period Depreciation				1,056
	Pro Forma Adjustment				\$ 17,344

i.	<u>Corporate income Taxes:</u>	
	Remove income Tax Expense	<u>\$ (175)</u>
m.	<u>Interest:</u>	
	Loan - System Rehab & Smoke Test (Amort Sch)	<u>\$ 5,156</u>
n.	<u>Seminars; Memberships; & Subscriptions:</u>	
	Remove	<u>\$ (1,222)</u>

EXHIBIT B
Determination of Operating Ratio, Revenue
Requirement, and Rates

Operating Ratio Determination

	Actual	Pro Forma
Operating Revenues	\$ 87,913	\$ 89,100
Divided by: Operating Expenses	÷ 93,279	÷ 103,195
Operating Ratio	94.247%	86.342%

Revenue Requirement

Operating Expenses	\$ 103,195
Divided by: Operating Ratio	÷ 88%
Revenue Requirement before Income Tax Gross-up & Interest Exp.	\$ 117,267
Less: Operating Expenses	- 103,195
Net Income After Income Taxes	\$ 14,072
Multiplied by: Income Tax Gross-up	x 1.2254902
Net Income Before Income Tax	\$ 17,246
Add: Operating Expenses	+ 103,195
Revenue Requirement before Interest Exp.	\$ 120,441
Add: Interest Expense	+ 5,156
Revenue Requirement - Sewer Rates	\$ 125,597
Less: Normalized Operating Revenue	- 89,100
Requested Increase in Revenue from Rates	\$ 36,497

Rate Determination

Requested Revenue Requirement	\$ 125,597
Divided by: 12-Months	÷ 12
Monthly Requested Revenue Requirement	\$ 10,466.40
Divided by: End-of-Period Customer Level	÷ 180.0
Monthly Rate per Customer	\$ 58.16

EXHIBIT C
Test-Period Depreciation Schedule

<u>Description</u>	<u>Date Acquired</u>	<u>Life</u>	<u>Net Original Cost</u>	<u>Accum. Dep 12/31/05</u>	<u>Dep Exp. 2006</u>	<u>Accum. Dep 12/31/06</u>
<u>Office Equipment</u>						
Copier	9 / 11 / 1997	5	\$ 1,373	\$ 1,373	\$ -	\$ 1,373
Fax Machine	12 / 10 / 1998	5	1,707	1,707	0	1,707
Gateway Computer	2 / 5 / 1997	5	2,361	2,361	0	2,361
Printer	1 / 11 / 2002	5	506	303	101	404
Various Office Equipment	8 / 15 / 2002	5	1,988	1,393	398	1,791
DSL Equipment	6 / 30 / 2005	5	335	34	57	91
Computer	5 / 8 / 2006	5	249	0	63	63
Copier	8 / 14 / 2006	5	329	0	50	50
Software	9 / 20 / 2006	3	200	0	17	17
Total Office Equipment			\$ 9,048	\$ 7,171	\$ 686	\$ 7,856
<u>Treatment Plant Equip.</u>						
Equipment - Plant	12 / 31 / 1994	5	\$ 1,366	\$ 1,366	\$ -	\$ 1,366
Dechlorinator	10 / 15 / 1995	5	3,843	3,843	0	3,843
Equipment	/ / 1994	5	1,810	1,810	0	1,810
Collection System Repairs	/ / 1995	5	9,074	9,074	0	9,074
Treatment Plant	/ / 1980	19	43,622	43,622	0	43,622
Blower	2 / 21 / 2001	5	2,221	2,146	75	2,221
Heavy Duty Submersible Pump	3 / 24 / 2004	5	1,136	1,136	0	1,136
Maintenance Equipment	5 / 13 / 2005	7	411	59	101	160
Submersible Pump	1 / 18 / 2006	7	428	0	107	107
Submersible Pump	8 / 16 / 2006	7	303	0	33	33
Pump	10 / 26 / 2006	7	1,980	0	71	71
Total Treat. Plant Equip.			\$ 66,194	\$ 63,056	\$ 387	\$ 63,443
<u>Other - Treatment Plant</u>						
Treatment Plant - Contributed			\$ 150,000	\$ -	\$ -	\$ -
<u>Intangible Assets</u>						
Appraisal Collection System	8 / 23 / 1996	5	\$ 750	\$ 750	\$ -	\$ 750
Legal Fees - PSC Rate Case	6 / 18 / 2002	3	5,760	5,760	0	5,760
Fully Amortized	Varies	3	10,863	10,863	0	10,863
Software	12 / 30 / 2005	3	1,968	0	656	656
Total Intangible - Assets			\$ 19,341	\$ 17,373	\$ 656	\$ 18,029
Totals			\$ 244,583	\$ 87,600	\$ 1,729	\$ 89,328

EXHIBIT D
Debt Amortization Schedule

Capital Expenditure	\$	79,000
Loan Origination Fee @ 1%		0
Total Amount of Loan	\$	<u>79,000</u>
Interest Rate - Annual		8.75%
Loan Term - Years		5

Monthly Payment **\$ 1,630.34**

Interest Year 1	\$	6,392.58
Interest Year 2	\$	5,192.70
Interest Year 3	\$	3,883.57
3-Year Average Interest Expense	\$	5,156.00

Payment #	Interest	Principal	Monthly Payment	Outstanding Balance
Beginning				\$ 79,000.00
1	\$ 576.04	\$ 1,054.30	\$ 1,630.34	\$ 77,945.70
2	568.35	1,061.99	\$ 1,630.34	\$ 76,883.71
3	560.61	1,069.73	\$ 1,630.34	\$ 75,813.98
4	552.81	1,077.53	\$ 1,630.34	\$ 74,736.45
5	544.95	1,085.39	\$ 1,630.34	\$ 73,651.06
6	537.04	1,093.30	\$ 1,630.34	\$ 72,557.76
7	529.07	1,101.27	\$ 1,630.34	\$ 71,456.49
8	521.04	1,109.30	\$ 1,630.34	\$ 70,347.19
9	512.95	1,117.39	\$ 1,630.34	\$ 69,229.80
10	504.80	1,125.54	\$ 1,630.34	\$ 68,104.26
11	496.59	1,133.75	\$ 1,630.34	\$ 66,970.51
12	488.33	1,142.01	\$ 1,630.34	\$ 65,828.50
1st Year	<u>\$ 6,392.58</u>	<u>\$ 13,171.50</u>		

Payment #	Interest	Principal	Monthly Payment	Outstanding Balance
13	\$ 480.00	\$ 1,150.34	\$ 1,630.34	\$ 64,678.16
14	471.61	1,158.73	\$ 1,630.34	\$ 63,519.43
15	463.16	1,167.18	\$ 1,630.34	\$ 62,352.25
16	454.65	1,175.69	\$ 1,630.34	\$ 61,176.56
17	446.08	1,184.26	\$ 1,630.34	\$ 59,992.30
18	437.44	1,192.90	\$ 1,630.34	\$ 58,799.40
19	428.75	1,201.59	\$ 1,630.34	\$ 57,597.81
20	419.98	1,210.36	\$ 1,630.34	\$ 56,387.45
21	411.16	1,219.18	\$ 1,630.34	\$ 55,168.27
22	402.27	1,228.07	\$ 1,630.34	\$ 53,940.20
23	393.31	1,237.03	\$ 1,630.34	\$ 52,703.17
24	384.29	1,246.05	\$ 1,630.34	\$ 51,457.12
2nd Year	<u>\$ 5,192.70</u>	<u>\$ 14,371.38</u>		

Payment #	Interest	Principal	Monthly Payment	Outstanding Balance
25	\$ 375.21	\$ 1,255.13	\$ 1,630.34	\$ 50,201.99
26	366.06	1,264.28	\$ 1,630.34	\$ 48,937.71
27	356.84	1,273.50	\$ 1,630.34	\$ 47,664.21
28	347.55	1,282.79	\$ 1,630.34	\$ 46,381.42
29	338.20	1,292.14	\$ 1,630.34	\$ 45,089.28
30	328.78	1,301.56	\$ 1,630.34	\$ 43,787.72
31	319.29	1,311.05	\$ 1,630.34	\$ 42,476.67
32	309.73	1,320.61	\$ 1,630.34	\$ 41,156.06
33	300.10	1,330.24	\$ 1,630.34	\$ 39,825.82
34	290.40	1,339.94	\$ 1,630.34	\$ 38,485.88
35	280.63	1,349.71	\$ 1,630.34	\$ 37,136.17
36	270.78	1,359.56	\$ 1,630.34	\$ 35,776.61
3rd Year	<u>\$ 3,883.57</u>	<u>\$ 15,680.51</u>		

Payment #	Interest	Principal	Monthly Payment	Outstanding Balance
37	\$ 260.87	\$ 1,369.47	\$ 1,630.34	\$ 34,407.14
38	250.89	1,379.45	\$ 1,630.34	\$ 33,027.69
39	240.83	1,389.51	\$ 1,630.34	\$ 31,638.18
40	230.70	1,399.64	\$ 1,630.34	\$ 30,238.54
41	220.49	1,409.85	\$ 1,630.34	\$ 28,828.69
42	210.21	1,420.13	\$ 1,630.34	\$ 27,408.56
43	199.85	1,430.49	\$ 1,630.34	\$ 25,978.07
44	189.42	1,440.92	\$ 1,630.34	\$ 24,537.15
45	178.92	1,451.42	\$ 1,630.34	\$ 23,085.73
46	168.33	1,462.01	\$ 1,630.34	\$ 21,623.72
47	157.67	1,472.67	\$ 1,630.34	\$ 20,151.05
48	146.93	1,483.41	\$ 1,630.34	\$ 18,667.64
4th Year	<u>\$ 2,455.11</u>	<u>\$ 17,108.97</u>		

Payment #	Interest	Principal	Monthly Payment	Outstanding Balance
49	\$ 136.12	\$ 1,494.22	\$ 1,630.34	\$ 17,173.42
50	125.22	1,505.12	\$ 1,630.34	\$ 15,668.30
51	114.25	1,516.09	\$ 1,630.34	\$ 14,152.21
52	103.19	1,527.15	\$ 1,630.34	\$ 12,625.06
53	92.06	1,538.28	\$ 1,630.34	\$ 11,086.78
54	80.84	1,549.50	\$ 1,630.34	\$ 9,537.28
55	69.54	1,560.80	\$ 1,630.34	\$ 7,976.48
56	58.16	1,572.18	\$ 1,630.34	\$ 6,404.30
57	46.70	1,583.64	\$ 1,630.34	\$ 4,820.66
58	35.15	1,595.19	\$ 1,630.34	\$ 3,225.47
59	23.52	1,606.82	\$ 1,630.34	\$ 1,618.65
60	11.80	1,618.65	\$ 1,630.45	\$ -
5th Year	<u>\$ 896.55</u>	<u>\$ 18,667.64</u>		

DEMAND NOTE

DATE: August 29, 2007

Propose of Loan: 2nd advance for smoke testing & construction

On demand, after date, I or We promise to pay Five Thousand Five Hundred Dollars to the order of Harold & Anne Helm, 11902 Reading Room Road, Prospect, KY.

This note shall bear 8.75% interest unless not paid in full on demand. In that case, it shall bear interest at 12% per annum from date until paid and maker shall pay all court costs, attorney fees and collection expenses in addition to principal and interest.

River Bluffs Inc,

TH Helm President

River Bluffs Inc

A Helm Vice President

Exhibit E

DEMAND NOTE

DATE: June 27, 2007

Propose of Loan: Initial Funding for I&I Testing

On demand, after date, I or We promise to pay Four Thousand Five Hundred Dollars to the order of Harold & Anne Helm, 11902 Reading Room Road, Prospect, KY.

This note shall bear 8.75% interest unless notpaid in full on demand. In that case, it shall bear interest at 12% per annum from date until paid and maker shall pay all court costs, attorney fees and collection expenses in addition to principal and interest.

Rise Bluffs Inc
by Harold Helm
President

Rise Bluffs Inc
by Anna Helm vice president

U.S. Corporation Income Tax Return
For calendar year 2006 or tax year

2006

beginning _____, ending _____
EXTENSION GRANTED TO 09/15/07

A Check if: 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp (see instructions) <input type="checkbox"/> 4 Schedule M-3 required (attach Sch. M-3) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name RIVER BLUFFS, INC.	B Employer identification number 61-6039307
		Number, street, and room or suite no. If a P.O. box, see instructions. 11902 READING ROOM ROAD	C Date incorporated 05/16/1966
		City or town, state, and ZIP code PROSPECT, KY 40059	D Total assets (see instructions) \$ 158,093.

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

Income	1 a Gross receipts or sales	87,913.	b Less returns and allowances		c Bal ▶	1c	87,913.
	2 Cost of goods sold (Schedule A, line 8)					2	
	3 Gross profit. Subtract line 2 from line 1c					3	87,913.
	4 Dividends (Schedule C, line 19)					4	
	5 Interest					5	
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)					9	
	10 Other income (attach schedule)					10	
	11 Total income. Add lines 3 through 10					11	87,913.
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)					12	3,600.
	13 Salaries and wages (less employment credits)					13	2,100.
	14 Repairs and maintenance					14	11,733.
	15 Bad debts					15	
	16 Rents					16	4,800.
	17 Taxes and licenses		SEE STATEMENT 1			17	1,228.
	18 Interest					18	
	19 Charitable contributions		SEE STATEMENT 2 AND SEE STATEMENT 3			19	0.
	20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)					20	1,056.
	21 Depletion					21	
	22 Advertising					22	
	23 Pension, profit-sharing, etc., plans					23	
	24 Employee benefit programs					24	10,198.
	25 Domestic production activities deduction (attach Form 8903)					25	
	26 Other deductions (attach schedule)		SEE STATEMENT 4			26	59,001.
	27 Total deductions. Add lines 12 through 26					27	93,716.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	-5,803.
29 Less: a Net operating loss deduction	STATEMENT 5	29a	0.				
b Special deductions (Schedule C, line 20)		29b			29c		
30 Taxable income. Subtract line 29c from line 28 (see instructions)					30	-5,803.	
31 Total tax (Schedule J, line 10)					31	0.	
Tax and Payments	32 a 2005 overpayment credited to 2006	32a					
	b 2006 estimated tax payments	32b					
	c 2006 refund applied for on Form 4466	32c ()			d Bal ▶	32d	
	e Tax deposited with Form 7004					32e	
	f Credits: (1) Form 2439 (2) Form 4136					32f	
	g Credit for federal telephone excise tax paid (attach Form 8913)					32g	
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached					33	
	34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34	0.
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35		
36 Enter amount from line 35 you want: Credited to 2007 estimated tax ▶ Refunded ▶					36		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer: *[Signature]* Date: 3-15-07 Title: President

Preparer's signature: *[Signature]* Date: 3-15-07 Check if self-employed Preparer's SSN or PTIN: P00322344

Firm's name (or yours if self-employed), address, and ZIP code: R. L. MOORE, PSC, 12100 LAGRANGE ROAD, LOUISVILLE, KY 40223

EIN: 61-1233932 Phone no.: 502-244-9955

May the IRS discuss this return with the preparer shown below? Yes No

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9 a Check all methods used for valuing closing inventory:

(i) Cost

(ii) Lower of cost or market

(iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods ▶

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8 Dividends from wholly owned foreign subsidiaries		100	
9 Total. Add lines 1 through 8			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4 ▶			
20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b ▶			

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 HAROLD H. HELM II	405-56-3079		100.00%		3,600.
2 Total compensation of officers					3,600.
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					3,600.

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>	
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	0.
3	Alternative minimum tax (attach Form 4626)		
4	Add lines 2 and 3		0.
5a	Foreign tax credit (attach Form 1118)		
5b	Qualified electric vehicle credit (attach Form 8834)		
5c	General business credit. Check applicable box(es): <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form 6478 <input type="checkbox"/> Form 8835, Section B <input type="checkbox"/> Form 8844		
5d	Credit for prior year minimum tax (attach Form 8827)		
5e	Bond credits from: <input type="checkbox"/> Form 8860 <input type="checkbox"/> Form 8912		
6	Total credits. Add lines 5a through 5e		
7	Subtract line 6 from line 4		0.
8	Personal holding company tax (attach Schedule PH (Form 1120))		
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		0.

Schedule K Other Information (see instructions)

	Yes	No		Yes	No
1	Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual				
	c <input type="checkbox"/> Other (specify) _____				
2	See the instructions and enter the:				
a	Business activity code no. 221300				
b	Business activity SEWER SERVICES				
c	Product or service SEWER				
3		X	7		X
At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If "Yes," enter: (a) Percentage owned _____ and (b) Owner's country _____		
4		X	c The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached _____		
Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation _____			8 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
5	X		9	Enter the amount of tax-exempt interest received or accrued during the tax year \$ _____	
At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) STATEMENT 6 If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned 100.00			10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) 1	
6		X	11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T(b)(3) must be attached or the election will not be valid.	
During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.			12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) \$ 93.	
			13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. \$ 0.	

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		10,679.		2,975.
2a Trade notes and accounts receivable				
b Less allowance for bad debts	()		()	
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (att. sch.)				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (att. sch.)				
10a Buildings and other depreciable assets	222,553.		225,842.	
b Less accumulated depreciation	(71,163.)	151,390.	(72,219.)	153,623.
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	19,341.		19,541.	
b Less accumulated amortization	(17,373.)	1,968.	(18,046.)	1,495.
14 Other assets (att. sch.)				
15 Total assets		164,037.		158,093.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (att. sch.) STMT 7		356.		1,000.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (att. sch.)				
22 Capital stock: a Preferred stock				
b Common stock	3,000.	3,000.	3,000.	3,000.
23 Additional paid-in capital		150,000.		150,000.
24 Retained earnings - Appropriated (attach schedule)				
25 Retained earnings - Unappropriated		10,681.		4,093.
26 Adjustments to shareholders' equity (attach schedule)				
27 Less cost of treasury stock		()		()
28 Total liabilities and shareholders' equity		164,037.		158,093.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return
 Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1 Net income (loss) per books	-6,588.	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books		Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation \$	
a Depreciation \$		b Charitable contributions \$	
b Charitable contributions \$ 785.			
c Travel and entertainment \$	785.	9 Add lines 7 and 8	
6 Add lines 1 through 5	-5,803.	10 Income (page 1, line 28) - line 6 less line 9	-5,803.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	10,681.	5 Distributions: a Cash	
2 Net income (loss) per books	-6,588.	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
		7 Add lines 5 and 6	
4 Add lines 1, 2, and 3	4,093.	8 Balance at end of year (line 4 less line 7)	4,093.

**Application for Automatic 6-Month Extension of Time To File
 Certain Business Income Tax, Information, and Other Returns**

OMB No. 1545-0233

▶ File a separate application for each return.

Type or Print File by the due date for the return for which an extension is requested. See instructions.	Name RIVER BLUFFS, INC.	Identifying number 61-6039307
	Number, street, and room or suite no. (If P.O. box, see instructions.) 11902 READING ROOM ROAD	
	City, town, state, and ZIP code (If a foreign address, enter city, province or state, and country (follow the country's practice for entering postal code)). PROSPECT, KY 40059	

Note. See instructions before completing this form.

- 1 Enter the form code for the return that this application is for (see below) 12
- 2 If the foreign corporation does not have an office or place of business in the United States, check here
- 3 If the organization is a corporation or partnership that qualifies under Regulations section 1.6081-5, check here ▶
- 4a The application is for calendar year 20 06, or tax year beginning _____, 20 ____, and ending _____, 20 ____
- b **Short tax year.** If this tax year is less than 12 months, check the reason:
 Initial return Final return Change in accounting period Consolidated return to be filed
- 5 If the organization is a corporation and is the common parent of a group that intends to file a consolidated return, check here ▶
 If checked, attach a schedule, listing the name, address, and Employer Identification Number (EIN) for each member covered by this application.
- 6 Tentative total tax

6	
7	
8	0.00
- 7 Total payments and credits (see instructions)

6	
7	
8	0.00
- 8 **Balance due.** Subtract line 7 from line 6. **Generally, you must deposit this amount using the Electronic Federal Tax Payment System (EFTPS), a Federal Tax Deposit (FTD) Coupon, or Electronic Funds Withdrawal (EFW) (see instructions for exceptions)**

6	
7	
8	0.00

Application Is For:	Form Code	Application Is For:	Form Code
Form 706-GS(D)	01	Form 1120-H	17
Form 706-GS(T)	02	Form 1120-L	18
Form 990-C (2005 fiscal year filers only)	03	Form 1120-ND	19
Form 1041 (estate)	04	Form 1120-ND (section 4951 taxes)	20
Form 1041 (trust)	05	Form 1120-PC	21
Form 1041-N	06	Form 1120-POL	22
Form 1041-QFT	07	Form 1120-REIT	23
Form 1042	08	Form 1120-RIC	24
Form 1065	09	Form 1120-S	25
Form 1065-B	10	Form 1120-SF	26
Form 1066	11	Form 3520-A	27
Form 1120	12	Form 8612	28
Form 1120 (sub T) (2005 fiscal year filers only)	13	Form 8613	29
Form 1120-A	14	Form 8725	30
Form 1120-C	34	Form 8804	31
Form 1120-F	15	Form 8831	32
Form 1120-FSC	16	Form 8876	33

For Paperwork Reduction Act Notice, see instructions.

Depreciation and Amortization
(Including Information on Listed Property) OTHER

▶ See separate instructions. ▶ Attach to your tax return.

RIVER BLUFFS, INC.

OTHER DEPRECIATION

61-6039307

Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	108,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	430,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	75.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	657.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		<input type="checkbox"/>

Section B - Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		578.	5 YRS.	MQ	200DB	113.
c 7-year property		2,711.	7 YRS.	MQ	200DB	211.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property	/		27.5 yrs.	MM	S/L	
	/		27.5 yrs.	MM	S/L	
i Nonresidential real property	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs.		S/L	
c	40-year	/	40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	1,056.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)
Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special allowance for qualified New York Liberty or Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use							25	
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L-		
		%				S/L-		
		%				S/L-		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No										
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year	
42 Amortization of costs that begins during your 2006 tax year:						
SOFTWARE	09/20/06	200.	197	36M	17.	
43 Amortization of costs that began before your 2006 tax year					43	656.
44 Total. Add amounts in column (f). See the instructions for where to report					44	673.

FORM 1120	TAXES AND LICENSES	STATEMENT	1
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DESCRIPTION	AMOUNT
PAYROLL TAXES	584.
ANNUAL FILING FEE	15.
PSC TAXES	454.
KENTUCKY TAXES - BASED ON INCOME	175.
TOTAL TO FORM 1120, LINE 17	1,228.

CURRENT YEAR CONTRIBUTIONS	STATEMENT	2
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DESCRIPTION	AMOUNT
METRO UNITED WAY	785.
TOTAL CURRENT YEAR CONTRIBUTIONS	785.

CONTRIBUTIONS

STATEMENT 3

CONTRIBUTION SUBJECT TO LIMITATION:

CARRYOVER OF PRIOR YEARS UNUSED CONTRIBUTIONS	
FOR TAX YEAR 2001	212
FOR TAX YEAR 2002	
FOR TAX YEAR 2003	500
FOR TAX YEAR 2004	283
FOR TAX YEAR 2005	

TOTAL CARRYOVER	995
CURRENT YEAR CONTRIBUTIONS	785

TOTAL CONTRIBUTIONS AVAILABLE	1,780
TAXABLE INCOME LIMITATION AS ADJUSTED	0

EXCESS CONTRIBUTIONS	1,780
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ALLOWABLE CONTRIBUTIONS DEDUCTION	0
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TOTAL CONTRIBUTION DEDUCTION	0
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FORM 1120 OTHER DEDUCTIONS STATEMENT 4

DESCRIPTION	AMOUNT
AMORTIZATION	673.
OFFICE SUPPLIES	1,004.
UTILITIES	5,796.
OPERATIONS	9,600.
TESTING	9,840.
CHEMICALS	2,926.
SUPPLIES	423.
SLUDGE HAULING	13,048.
POSTAGE	156.
TELEPHONE	2,213.
LEGAL AND ACCOUNTING	1,800.
BANK SERVICE CHARGES	276.
INSURANCE	6,226.
DUES & SUBSCRIPTIONS	1,010.
CASUALTY INSURANCE	874.
MEMBERSHIPS	200.
SEMINARS & MEETINGS	12.
COLLECTION CHARGES	2,346.
CONTRACT LABOR	468.
CONSULTING FEES	110.
TOTAL TO FORM 1120, LINE 26	59,001.

NET OPERATING LOSS DEDUCTION STATEMENT 5

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
12/31/03	940.	847.	93.	93.
NOL CARRYOVER AVAILABLE THIS YEAR			93.	93.

720
41A720

Kentucky
UNBRIDLED SPIRIT



C Kentucky Corporation Account Number
1 8 7 7 3

Department of Revenue

Kentucky Corporation Income Tax Return (Pass-Through Corporations Use Applicable Forms)

2006

Taxable period beginning JAN 1, 2006, and ending DEC 31, 2006

A If filing consolidated, check the appropriate box. See instructions. <input type="checkbox"/> Consolidated <input type="checkbox"/> Election Made prior to 2005, attach Form 722. <input type="checkbox"/> Mandatory Nexus	B Federal Identification Number 61-6039307				Taxable Year 12 / 06 Ending Mo. Yr.
	Name of Corporation or Affiliated Group (Place preaddressed label here; otherwise print or type.) RIVER BLUFFS, INC.				State and Date of Incorporation KY 05/16/1966
	Number and Street 11902 READING ROOM ROAD				Principal Business Activity in KY SEWER SERVICES
	City PROSPECT	State KY	ZIP Code 40059	Telephone Number	NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov) 221300
D Name of Common Parent		Kentucky Corporation Account Number			

E Check if applicable: No packet required for 2007 Initial return Final return (attach explanation)
 Short-period return (attach explanation) Change of name Change of address

PART I - TAXABLE INCOME COMPUTATION		PART II - TAX COMPARISON	
1. Federal taxable income (Form 1120, line 28; Form 1120A, line 24)	<5,803>	1. Income tax from Part I (multiply line 24 by rates) (see instructions)	
ADDITIONS: * STMT 1 STMT 2		2. Alternative minimum (AMC)	0
2. Interest income (state and local obligations)		PART III - TAX COMPUTATION	
3. State taxes based on net/gross income *	175	1. Tax liability (Part II, greater of line 1, line 2 or \$175 minimum)	175
4. Depreciation adjustment		2. Recycling/composting equipment tax credit recapture	
5. Deductions attributable to nontaxable income		3. Total (add lines 1 and 2) (if \$175 minimum, skip line 4 and enter on line 5)	175
6. Related party expenses		4. Total credits	
7. Pass-through loss(es) from other corporation(s) subject to Kentucky corporation income tax		5. Net tax liability (line 3 less lines 4) (\$175 minimum)	175
8. Domestic production activities deduction		6. Estimated tax payments	
9. Other (attach schedule)		<input type="checkbox"/> Check if Form 2220-K attached	
10. Total (add lines 1 through 9)	<5,628>	7. Extension tax payment	
SUBTRACTIONS:		8. Prior year's credit	
11. Interest income (U.S. obligations)		9. Tax due (line 5 less lines 6 through 8)	175
12. Dividend income		10. Tax overpayment (lines 6 through 8 less line 5)	
13. Federal work opportunity credit		11. Credited to 2007	
14. Depreciation adjustment		12. Amount to be refunded (line 10 less line 11)	
15. Pass-through income from other corporation(s) subject to Kentucky corporation income tax		Federal Form 1120, pages 1, 2 and 4, or 1120A, pages 1 and 2, and any supporting schedules must be attached.	
16. Other (attach schedule)			
17. Net income (line 10 less lines 11 through 16)	<5,628>	Make check(s) payable to:	Kentucky State Treasurer
18. Current net operating loss adjustment (mandatory nexus only)		Mail return with payment to:	Kentucky Department of Revenue Frankfort, Kentucky 40620
19. Kentucky net income (add lines 17 and 18)	-5,628		
20. Taxable net income (attach Schedule A if applicable)	<5,628>		
21. Net operating loss deduction (NOLD)			
22. Taxable net income after NOLD (line 20 less line 21)	<5,628>		
23. Kentucky domestic production activities deduction (KDPAD)			
24. Taxable net income after KDPAD	-5,628		

TAX PAYMENT SUMMARY (Round to Nearest Dollar)

TAX (check applicable box) Income AMC Gross Receipts AMC Gross Profits Minimum \$175

Tax 175

Penalty

Interest

TOTAL (Including Penalty and Interest) 175



KENTUCKY CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4 - 14 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. Failure to do so may result in a request for a delinquent return.

1. Indicate whether: (a) [] new business; (b) [] successor to previously existing business which was organized as: (1) [] corporation; (2) [] partnership; (3) [] sole proprietorship; or (4) [] other
If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.
2. List the following Kentucky account numbers. Enter N/A for any number not applicable.
Employer Withholding
Sales and Use Tax Permit
Consumer Use Tax
Unemployment Insurance
Coal Severance and/or Processing Tax
3. If a foreign corporation, enter the date qualified to do business in Kentucky.

4. The corporation's books are in care of: (name and address)
HAROLD H. HELM, II
COMPANY
5. Are disregarded entities included in this return?
[] Yes [X] No If yes, list name, address and federal I.D. number of the entity.
6. Is the corporation a partner in a general partnership(s) doing business in Kentucky? [X] Yes [] No
If yes, attach schedule listing name and federal I.D. number of the general partnership(s).
SEE STATEMENT 3
Was the corporation doing business in Kentucky, outside of its interest in a general partnership? [] Yes [X] No

7. Are related party costs made to related members as defined in KRS 141.205(1)(l) included in this return? [] Yes [X] No
If yes, list name, federal I.D. and/or Kentucky corporation account number of the individual or entity.

8. Is the net distributive income (loss) received from a corporation subject to the tax imposed by KRS 141.040 included in this return?
[] Yes [X] No. If yes, list name, federal I.D. and Kentucky account number of the corporation.

Caution: If the corporation elected to file a consolidated income tax return for tax years beginning prior to January 1, 2005, skip questions 9 and 10 and go to question 11.

9. Did the corporation at any time during the taxable year do business in Kentucky and own 80 percent or more of the voting stock of another corporation doing business in Kentucky? [] Yes [X] No. If yes, list name, address and federal I.D. number of the entity.

10. Was 80 percent or more of the corporation's voting stock owned by any corporation doing business in Kentucky at any time of the year?
[] Yes [X] No. If yes, list name, address and federal I.D. number of the entity.

11. Was this return prepared on: (a) [X] cash basis, (b) [] accrual basis, (c) [] other

12. Is the corporation a public service corporation subject to taxation under KRS 136.120? [] Yes [X] No

13. Did the corporation file a Kentucky tangible personal property tax return for January 1, 2007? [X] Yes [] No

14. Is the corporation currently under audit by the Internal Revenue Service?
[] Yes [X] No. If yes, enter years under audit

If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to this department, check here [] and file Form 720X, Form 720XX or Form 720-Amended, whichever is applicable, for each year adjusted and attach a copy of the final determination.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Attach a schedule listing the name, home address and Social Security number of the vice president, secretary and treasurer.

Has this officer information attached changed from the last return filed? [] Yes [X] No
President's Name HAROLD H. HELM II President's Home Address 11902 READING ROOM ROAD PROSPECT, KY 40059
President's Social Security Number 405-56-3079

I, the undersigned, declare under the penalties of perjury, that I have examined these returns, including all accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete.

Signature of principal officer or chief accounting officer
R. L. MOORE, PSC

Date
61-1233932

Name and Social Security or federal identification number of person or firm preparing return

May the Department of Revenue discuss this return with the preparer?
[X] Yes [] No

E-mail Address:

SCHEDULE AMC



41A720AMC
(10-06)

Taxable Year Ending

1 2 0 6
Mo. Yr.

Commonwealth of Kentucky
DEPARTMENT OF REVENUE

- ▶ See instructions
- ▶ Attach to Form 720, Form 720S, Form 725 or Form 765.

**ALTERNATIVE MINIMUM CALCULATION
KRS 141.040(11) AND (12)
Regulation 103 KAR 16:220**

Name of Corporation RIVER BLUFFS, INC.	Kentucky Corporation Account Number 18773
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Section A - Computation of Gross Receipts and Gross Profits

		Column A Kentucky	Column B Total
1. Gross receipts	1	87,913.	87,913.
2. Returns and allowances	2		
3. Gross receipts after returns and allowances (line 1 minus line 2)	3	87,913.	87,913.
4. Cost of goods sold	4		
5. Gross profits (line 3 minus line 4)	5	87,913.	87,913.

Section B - Computation of Gross Receipts AMC

1. If gross receipts from all sources (Column B, line 3) are \$3,000,000 or less, STOP and enter -0- on Section D, line 1, and on Part II, line 2, of applicable form (Form 720, Form 720S, Form 725 or Form 765)	1		
2. If gross receipts from all sources (Column B, line 3) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, line 3 x 0.00095) - $\left[\frac{\$2,850 \times (\$6,000,000 - \text{Column A, line 3})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	2	0.	
3. If gross receipts from all sources (Column B, line 3) are \$6,000,000 or greater, enter the following: Column A, line 3 x 0.00095	3	0.	
4. Enter the amount from line 2 or line 3	4	0.	

Section C - Computation of Gross Profits AMC

1. If gross profits from all sources (Column B, line 5) are \$3,000,000 or less, STOP and enter -0- on Section D, line 1, and on Part II, line 2, of applicable form (Form 720, Form 720S, Form 725 or Form 765)	1		
2. If gross profits from all sources (Column B, line 5) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, line 5 x 0.0075) - $\left[\frac{\$22,500 \times (\$6,000,000 - \text{Column A, line 5})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	2	0.	
3. If gross receipts from all sources (Column B, line 5) are \$6,000,000 or greater, enter the following: Column A, line 5 x 0.0075	3	0.	
4. Enter the amount from line 2 or line 3	4	0.	

Section D - Computation of AMC

1. Enter the lesser of Section B, line 4 or Section C, line 4 on this line and on Part II, line 2 of the applicable form (Form 720, Form 720S, Form 725 or Form 765)	1		0.
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Depreciation and Amortization
(Including Information on Listed Property) **OTHER**

2006

Attachment
Sequence No. 67

Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number

RIVER BLUFFS, INC.

OTHER DEPRECIATION

61-6039307

Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	25,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	200,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	75.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	657.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		

Section B - Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		578.	5 YRS.	MQ	200DB	113.
c 7-year property		2,711.	7 YRS.	MQ	200DB	211.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property	/		27.5 yrs.	MM	S/L	
	/		27.5 yrs.	MM	S/L	
i Nonresidential real property	/		39 yrs.	MM	S/L	
	/			MM	S/L	

Section C - Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs.		S/L	
c	40-year	/	40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	1,056.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)
Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No 24b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special allowance for qualified New York Liberty or Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use							25	
26 Property used more than 50% in a qualified business use:								
	:	:	%					
	:	:	%					
	:	:	%					
27 Property used 50% or less in a qualified business use:								
	:	:	%			S/L -		
	:	:	%			S/L -		
	:	:	%			S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No										
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year	
42 Amortization of costs that begins during your 2006 tax year:						
SOFTWARE	09/20/06	200.	197	36M	17.	
43 Amortization of costs that began before your 2006 tax year					43	656.
44 Total. Add amounts in column (f). See the instructions for where to report					44	673.

KY FORM 720	STATE TAXES BASED ON INCOME	STATEMENT	1
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<u>DESCRIPTION</u>	<u>AMOUNT</u>
KENTUCKY TAXES - BASED ON INCOME	175.
TOTAL TO FORM 720, LINE 3	175.

KY 720
CONTRIBUTIONS
STATEMENT 2

CARRYOVER OF PRIOR YEARS UNUSED CHARITABLE CONTRIBUTIONS	AMOUNT
FOR TAX YEAR 2001	
FOR TAX YEAR 2002	
FOR TAX YEAR 2003	495.
FOR TAX YEAR 2004	283.
FOR TAX YEAR 2005	
TOTAL CARRYOVER	778.
CURRENT YEAR CHARITABLE CONTRIBUTIONS	785.
TOTAL CHARITABLE CONTRIBUTIONS	1,563.
10% OF KENTUCKY NET INCOME	0.
EXCESS CHARITABLE CONTRIBUTIONS	1,563.
TOTAL TO FORM 720, PAGE 1	0.

KY SCHEDULE Q
PARTNERSHIP INFORMATION
STATEMENT 3

QUESTION 6

NAME AND ADDRESS	FED I.D. NUMBER	KENTUCKY ACCOUNT #
HAROLD HELM 11902 READING ROOM ROAD, PROSPECT, KY	405-56-3079	

COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC
PROTECTION CABINET
DIVISION OF ENFORCEMENT
CASE NO. DOW 060284

IN RE: River Bluffs, Inc.
11902 Reading Room Road
Prospect, Kentucky 40059
Agency Interest No. 3367
Activity ID No. WW EAO20070001

AGREED ORDER

WHEREAS, the parties to this Agreed Order, the Environmental and Public Protection Cabinet (hereinafter "Cabinet") and River Bluffs, Inc. (hereinafter "River Bluffs"), state:

STATEMENTS OF FACT

1. The Cabinet is charged with the statutory duty of enforcing KRS Chapter 224, and the regulations promulgated pursuant thereto.
2. River Bluffs, a Kentucky corporation, owns and operates a wastewater treatment plant (WWTP) serving the River Bluffs Subdivision located at 13121 Creekview Road, Prospect, Oldham County, Kentucky (the "facility").
3. River Bluffs holds Kentucky Pollutant Discharge Elimination System (KPDES) Permit No. KY0043150 issued by the Cabinet's Division of Water.
4. On May 24, 2006, authorized representatives of the Cabinet identified the following violations of KRS Chapter 224, and the regulations promulgated pursuant thereto at the facility described in paragraph 2 above:
 - a. 401 KAR 5:015 §2 – Failure to report a spill or release;

- b. 401 KAR 5:065 §1(12)(f) – Failure to report a release within 24 hours of becoming aware of the release;
- c. 401 KAR 5:065 §1(5) – Failure to properly operate and maintain a facility;
- d. 401 KAR 5:065 §1(1)(a) – Failure to comply with KPDES permit terms and conditions; and
- e. 401 KAR 5:031 §2 – Degrading the waters of the Commonwealth.

5. On June 20, 2007 the Cabinet issued River Bluffs a Notice of Violation for the violations described in paragraph 4 above.

6. Representatives of River Bluffs attended an administrative conference at the Cabinet's Division of Enforcement in Frankfort, Kentucky on February 27, 2007, and admitted all the violations described in this Agreed Order.

NOW THEREFORE, in the interest of settling all civil claims and controversies involving the violations described above, the parties hereby consent to the entry of this Agreed Order and agree as follows:

REMEDIAL MEASURES

7. River Bluffs shall perform the following remedial measures by the dates specified herein:

- a. River Bluffs shall report to the Cabinet all spills, bypass discharges, upset condition discharges or other releases of substances from its facility identified above which would result in or contribute to the pollution of the waters of the Commonwealth, including emergency and accidental releases, in accordance with KRS 224.01-400, 401 KAR 5:015 and 401 KAR 5:065. River Bluffs

shall make its primary reports of the above discharges or releases by telephone to the Cabinet's 24-hour notification telephone number, 800-928-2380 or 502-564-2380;

- b. River Bluffs shall provide for proper and regular operation and maintenance to its WWTP in accordance with 401 KAR 5:065, the manufacturer's instructions, and standard wastewater treatment practices;
- c. River Bluffs shall provide for proper management and regular disposal of sewage sludge generated at its WWTP in accordance with 401 KAR 5:065. A plan shall be developed to ensure compliance with the regulation. The plan shall be reviewed annually and up-dated to reflect current operations. Within thirty (30) days of execution of this Order by the Secretary of the Cabinet, River Bluffs shall submit to the Cabinet's Division of Enforcement a copy of its written plan and schedule for sewage sludge management and disposal. An up-to-date copy of the plan shall be maintained at the WWTP and shall be made available on demand by the Cabinet for inspection;
- d. River Bluffs shall at all times apply proper disinfection and dechlorination of the effluent being discharged from its facility identified herein;
- e. River Bluffs shall, within one hundred twenty (120) days of execution of this Order by the Cabinet's Secretary, develop an inflow and infiltration (I&I) study to determine the sources of I&I into the collection system of the facility identified in this Order, implement the I&I study, and submit a written report of the I&I study to the Cabinet's Division's of Enforcement and Water for

review and acceptance. The I&I report shall include a schedule of recommended corrective actions to be undertaken to reduce or eliminate the identified I&I problems within the sewage collection system serving the facility. River Bluffs shall implement all recommended corrective actions according to the proposed schedule as accepted by the Division of Water. For the duration of this Agreed Order, River Bluffs shall submit to the Cabinet's Division of Enforcement and Division of Water's Frankfort Regional Office semi-annual progress reports describing its progress toward completing the schedule. The reports are due on July 10th and January 10th of each year; and

- f. River Bluffs shall eliminate the discharge from its current facility and shall connect to a comprehensive sewer system when it becomes available, as defined in 401 KAR 5:002, provided that such a system can adequately treat the wastes from River Bluffs' sewage collection system, in accordance with the terms and conditions of KPDES Permit No. KY0043150.

PENALTIES

8. River Bluffs is assessed a civil penalty in the amount of twelve thousand dollars (\$12,000). River Bluffs shall pay three thousand five hundred dollars (\$3,500) of the assessed penalty to the Cabinet, which shall be payable in seven (7) quarterly payments of five hundred dollars (\$500). The first payment shall be due no later than fourteen (14) days after this Agreed Order is signed by River Bluffs and subsequent payments shall be made on the same day of each calendar quarter, beginning ninety (90) days after this Agreed Order is entered by the Secretary or her designee and continuing until paid in full. The Cabinet will probate the remaining eight thousand

five hundred dollars (\$8,500) dependent upon River Bluffs' compliance with all requirements of this Agreed Order. If River Bluffs fails to pay any of the installment payments on the due-dates stated in this paragraph or defaults in the performance of any requirement of this Agreed Order, the remaining unpaid balance of the civil penalty, including the probated penalty, shall be immediately due and payable in full at the option of the Cabinet upon notice to River Bluffs. In addition, River Bluffs may be subject to any additional penalties that may be incurred resulting from this and other violations of this Agreed Order, KRS Chapter 224, and the regulations promulgated pursuant thereto.

9. Payment of civil penalties shall be by cashier's check, certified check, or money order, made payable to "Kentucky State Treasurer" and sent to the attention of the Director, Division of Enforcement, Department for Environmental Protection, 300 Fair Oaks Lane, Frankfort, Kentucky 40601. Note "Case No. DOW 060284" on the instruments of payment.

MISCELLANEOUS PROVISIONS

10. This Agreed Order addresses only those violations specifically described above. Other than those matters resolved by entry of this Agreed Order nothing contained herein shall be construed to waive or to limit any remedy or cause of action by the Cabinet based on statutes or regulations under its jurisdiction and River Bluffs reserves its defenses thereto. The Cabinet expressly reserves its right at any time to issue administrative orders and to take any other action it deems necessary that is not inconsistent with this Agreed Order, including the right to order all necessary remedial measures, assess penalties for violations, or recover all response costs incurred, and River Bluffs reserves its defenses thereto.

11. This Agreed Order shall not prevent the Cabinet from issuing, reissuing, renewing, modifying, revoking, suspending, denying, terminating, or reopening any permit to River Bluffs.

River Bluffs reserves its defenses thereto, except that River Bluffs shall not use this Agreed Order as a defense.

12. River Bluffs waives its right to any hearing on the matters admitted herein. However, failure by River Bluffs to comply strictly with any or all of the terms of this Agreed Order shall be grounds for the Cabinet to seek enforcement of this Agreed Order in Franklin Circuit Court and to pursue any other appropriate administrative or judicial action under KRS Chapter 224, and the regulations promulgated pursuant thereto.

13. The Agreed Order may not be amended except by a written order of the Cabinet's Secretary or her designee. River Bluffs may request an amendment by writing the Director of the Division of Enforcement at 300 Fair Oaks Lane, Frankfort, Kentucky 40601 and stating the reasons for the request. If granted, the amended Agreed Order shall not affect any provision of this Agreed Order unless expressly provided in the amended Agreed Order.

14. The Cabinet does not, by its consent to the entry of this Agreed Order, warrant or aver in any manner that River Bluffs' complete compliance with this Agreed Order will result in compliance with the provisions of KRS Chapter 224, and the regulations promulgated pursuant thereto. Notwithstanding the Cabinet's review and approval of any plans formulated pursuant to this Agreed Order, River Bluffs shall remain solely responsible for compliance with the terms of KRS Chapter 224, and the regulations promulgated pursuant thereto, this Agreed Order and any permit and compliance schedule requirements.

15. River Bluffs shall give notice of this Agreed Order to any purchaser, lessee or successor in interest prior to the transfer of ownership and/or operation of any part of its now-existing facility occurring prior to termination of this Agreed Order, shall notify the Cabinet that

such notice has been given, and shall follow all statutory and regulatory requirements for a transfer. Whether or not a transfer takes place, River Bluffs shall remain fully responsible for payment of all civil penalties and response costs and for performance of all remedial measures identified in this Agreed Order.

16. The Cabinet agrees to allow the performance of the above-listed remedial measures and payment of civil penalties by River Bluffs to satisfy River Bluffs' obligations to the Cabinet generated by the violations described above.

17. The Cabinet and River Bluffs agree that the remedial measures agreed to herein are facility-specific and designed to comply with the statutes and regulations cited herein. This Agreed Order applies specifically and exclusively to the unique facility referenced herein and is inapplicable to any other site or facility.

18. This Agreed Order shall be of no force and effect unless and until it is entered by the Secretary or her designee as evidenced by her signature thereon. If this Agreed Order contains any date by which River Bluffs is to take any action or cease any activity, and the Secretary enters the Agreed Order after that date, then River Bluffs is nonetheless obligated to have taken the action or ceased the activity by the date contained in this Agreed Order.

TERMINATION

19. This Agreed Order shall terminate upon River Bluffs' completion of all requirements described in this Agreed Order. River Bluffs may submit written notice to the Cabinet when it believes all requirements have been performed. The Cabinet will notify River Bluffs in writing of whether it intends to agree with or object to termination. The Cabinet reserves its right to enforce

this Agreed Order, and River Bluffs reserves its right to file a petition for hearing pursuant to KRS 224.10-420(2) contesting the Cabinet's determination.

AGREED TO BY:

Harold H. Helm, II
Harold H. Helm, II, President
River Bluffs, Inc.

8/28/07
Date

Wade Helm
Wade Helm, Attorney for River Bluffs, Inc.

8/28/2007
Date

APPROVAL RECOMMENDED BY:

Jeffrey A. Cummins, Acting Director
Division of Enforcement

Date

Brenda G. Lowe, Attorney
Office of Legal Services

Date

Shannan B. Stamper, Executive Director
Office of Legal Services

Date

ORDER

Wherefore, the foregoing Agreed Order is entered as the final Order of the Environmental and Public Protection Cabinet this ___ day of _____, 2007.

ENVIRONMENTAL AND PUBLIC
PROTECTION CABINET

TERESA J. HILL, SECRETARY

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing **AGREED ORDER** was mailed, postage prepaid, to the following this _____ day of _____, 2007.

Harold H. Helm, II, President
River Bluffs, Inc.
11902 Reading Room Road
Prospect, Kentucky 40059

Wade Helm, Attorney
Post Office Box 261
Goshen, Kentucky 40026

and mailed, messenger to:

Jeffrey A. Cummins, Acting Director
Division of Enforcement
300 Fair Oaks Lane
Frankfort, Kentucky 40601

Brenda Gail Lowe, Esq.
Office of Legal Services
6th Floor Capital Plaza Tower
Frankfort, Kentucky 40601

DOCKET COORDINATOR

September 3, 2007

Jeffrey A. Cummins
Acting Director
KY Dept of Environmental Protection
300 Fair Oaks Lane
Frankfort, KY 40601

Re Case No. DOW 060284
Facility No KPDES KY0043150

Dear Mr. Cummins:

Pursuant to the above order we have completed an I & I survey of our collection system using both TV-video pipe search explorations and smoke testing. The cost for these tests was \$6400.00. The results reveal several areas which need repair and which are sources of water infiltration to the sewer collection system of River Bluffs, Inc. Copies of the study are attached as Exhibit A,

We have also submitted the repair project to 2 companies for bids and have selected the lower bidder to do the work.

It is our intention to commence repairing the identified spots as soon as the Public Service Commission will approve an increased tariff which will both allow us to operate in the black and at a profit being able pay off a loan for the needed repairs. We are in the final stages of this application. Any help you can give us in expediting this application will be greatly appreciated. Mark Frost in the PSC (502)564-3940 is currently finalizing the rate application and we hope his work will be done in the next 2 weeks and ready for submission to the Commission and for any required public hearings.

With regard to the sludge hauling plan required to be submitted under agreed order. It is attached as Exhibit B

As soon as we have assurances that we will have sufficient funds to repay borrowings necessary to pay for the construction, testing, and continued operations, we will make the repairs needed.

Our next report will be made on our progress on these repairs on January 10, 2008.

Sincerely,

Harold H. Helm, II
President
River Bluffs, Inc.
11902 Reading Room Road
Prospect, KY 40059
502-897-1200 or 502-228-3515 or (502)228-3915

Copies:
Wade Helm
Brenda Lowe Atty

Exhibit
A

MURPHYS EXCAVATING
379 BROOKSVIEW CR.
BROOKS, KY. 40109
PHONE-9573775-MOBIL-7733526
5-25-07

RIVER BLUFF SUBDIVISION PIPE CONDITION AND DEFECTS

- SEWER LINE RUNNING ALONG CREEK DOWN TO TREATMENT PLANT IN LOTS # 68,67,66,101,102,103,AND 104 HAS DEVELOPED MULTIPLE CRACKS IN JOINTS ALLOWING WATER TO LEAK IN PIPE WITH ROOT DEVELOPMENT IN PIPE AT TWO LOCATIONS, A ROCK IN PIPE, AND A BAD TAP CONNECTION AT HOUSE #13324.
- STARTING AT MAN HOLE #1 GOING TO MANHOLE #2 ON SYCAMORE COURT BLOCKAGE HAS DEVELOPED IN PIPE AT 68 FEET.
- FROM MAN HOLE #5 ON CREEKVIEW RD GOING DOWN HILL TO MANHOLE #6 ON LOT #70 BLOCKAGE DEVELOPING 68 FEET.
- FROM MANHOLE #8 GOING TO MANHOLE #7 BAD PIPE CONNECTION ALLOWING PIPE TO DROP AT 26 FEET.
- FROM MANHOLE #8 TO MANHOLE #9 BAD TAP CONNECTION AT 86 FEET.
- FROM MANHOLE #9 TO MANHOLE #10 BAD PIPE CONNECTION ALLOWING PIPE TO DROP AT 45 FEET.
- FROM MANHOLE #10 TO MANHOLE #11 BAD PIPE CONNECTION ALLOWING PIPE TO DROP AT 51 FEET.
- FROM MANHOLE #14 GOING TO MANHOLE #15 BLOCKAGE DEVELOPING IN PIPE DUE TO HEAVY GREASE BUILD UP IN PIPE AT 27 FEET ALSO, ROOT AND GREASE BLOCKAGE AT 55 FEET.
- AT MANHOLE #15 TO MANHOLE #16 CHECK CONNECTION TO MANHOLE ALSO, ROOT DEVELOPMENT IN PIPE AT 55 FEET IN LOT #67.
- FROM MAN HOLE #18 TO MANHOLE #19 ON CREEKVEIW ROAD ROOT DEVELOPMENT AT 50-53 FEET.

- AT MANHOLE #20 TO MANHOLE#21 ON CREEKVEIW ROAD ROOT DEVELOPMENT IN PIPE AT 13-18 FEET ALSO, ROOT DEVELOPMENT AT 80.
- AT MANHOLE 21 GOING TO CREEK LINE IN LOT #101 BAD TAP CONNECTION WITH ROOT DEVELOPMENT AT 27-28 FEET.
- AT MANHOLE #8 TO MANHOLE # 23 AT THE INTERSECTION OF RAIN TREE COURT AND CREEKVIEW ROAD GOING UP HILL, BAD TAP CONNECTION WITH ROOT DEVELOPMENT AT 7-8 FEET.
- AT MANHOLE #29 TO MANHOLE #30 GOING DOWNHILL IN LOT #116 ROOT DEVELOPMENT IN PIPE AT 34 FEET.
- AT MANHOLE #31 TO MANHOLE #32 ON DOGWOOD COURT SEVERE ROOT DEVELOPMENT AT 17-25 FEET, SUGGESTING AUGER WORK BEING DONE ASAP.
- AT MAN HOLE #32 TO MANHOLE #33 ON CHERRY TREE LANE QUESTIONABLE TAP CONNECTION AT
- MANHOLE #33 IN THE GRASS AT CHERRY TREE COURT AND CHERRY TREE LANE IS UNACCESSABLE DUE TO RUST BUILD UP.
- MANHOLE #37 AT LOT # 108 BESIDE POOL UNACCESSABLE DUE TO FENCEING BUILT OVER TOP.

SEVERAL LOCATIONS NEED TO BE AUGURED TO AVOID
SERVICE INTRUPTED

THANK YOU

JOE MURPHY
OWNER—MURPHYS EXCAVATING

#730

MURPHYS EXCAVATING
379 BROOKSVIEW CR.
BROOKS, KY. 40109
PHONE-9573775-MOBIL-7733526
8-27-07

RIVER BLUFF SUBDIVISION
PIPE CONDITION & DEFECTS
ADDENDUM

- RECHECK ALL PIPING IN SEWER LINE, 8IN. MAIN & ALL P.S.C.—PER HAROLD HELM
- AFTER SMOKE TESTING, PROBLEMS WERE FOUND AT 3 NEW LOCATIONS & SMOKE ALSO CAME OUT OF SEVERAL OLD LOCATIONS.
- THE 3 NEW LOCATIONS ARE:
 1. 3115 CHERRY TREE IN CUSTOMERS LINE BETWEEN HOUSE & P.S.C.
 2. 13202 CREEKVIEW DR. IN THE MIDDLE OF DITCHLINE IN P.S.C. NEXT TO WATER METER.
 3. LOT #69 CREEKVIEW RD. —MIDDLE OF PROPERTY—NEXT TO CREEK

• COST OF EXTRA REPAIRS:

- NO CHARGE FOR REPAIR #1.
- REPAIR #2: -----\$1,850.00
- REPAIR #3-----\$1,850.00
- TOTAL OF ADDENDUM WORK-----\$3,700.00

THREE THOUSAND SEVEN HUNDRED

THANK YOU
JOE MURPHY

EXHIBIT B

RESPONSE LETTER September 3, 2007

CASE No. DOW 060284

Below is the daily operational instructions for sludge hauling. The schedule for regular hauling is approximately once a month with occasional requirements for additional loads caused by seasonal variances or the digester filling up.

OPERATIONAL AND PREVENTATIVE MAINTENANCE

Aeration Basin Sludge Handling Daily Schedule

- a. Fill 1000ml Graduated cylinders with mix liquors from both plants.
- b. Allow to settle for 30 min.
- c. Waste to digester based on settleable test.
- d. Record results of test on daily log sheet
- e. Call Headden for extra hauling of sludge if digester is full before next scheduled hauling.